

Message Text

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SUBJ: DOW CHEMICAL

1. L.F. DUPUY, VICE PRESIDENT, DOW CHEMICAL PACIFIC, CALLED ON ME JUNE 11. PURPOSE OF VISIT WAS TO BRING ME UP-TO-DATE ON DOW'S PROPOSED INVESTMENT AT YOSU AND TO SEEK STRONG EMBASSY SUPPORT FOR DOW'S APPLICATION TO OPIC FOR GUARANTEE OF ITS \$50 MILLION INVESTMENT. THE PROJECT INVOLVES 100PERCENT OWNERSHIP OF A CHLOR-ALKALI PLANT AND 50PERCENT PARTICIPATION WITH KOREA PACIFIC CHEMICAL CORPORATION IN THREE OTHER DOWNSTREAM PLANTS (LDPE, VC, AND EDC).

2. DUPUY'S VISIT WAS ON INSTRUCTIONS FROM ROBERT LUNDEE, PRESIDENT, DOW CHEMICAL PACIFIC FOLLOWING THE LATTER'S MEETING WITH OPIC OFFICIALS IN WASHINGTON, A REPORT OF WHICH WAS SUMMARIZED IN REFTEL A.

3. DUPUY STATED THAT HE WOULD CALL ON A MOFA OFFICIAL SEEKING ROKG SUPPORT FOR OPIC'S GUARANTEE. TWO LETTERS HAVE ALSO BEEN SECURED FROM DPM NAM ADDRESSED TO OPIC AND EXIM SOLICITING SUPPORT FOR (A) GUARANTEE OF DOW'S INVESTMENT BY OPIC AND (B) FAVORABLE CONSIDERATION BY EXIM FOR THE LOAN AND LOAN GUARANTEE APPLICATIONS SUBMITTED BY KOREA PACIFIC CHEMICAL CORPORATION.

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4. NAM'S LETTER WILL BE PRESENTED TO OPIC ON OR

ABOUT JUNE 18 WHEN DOW SUBMITS ITS FORMAL APPLICATION FOR THE OPIC GUARANTEE. NAM, KNOWING THAT DOW WILL NOT PROCEED WITHOUT THE OPIC GUARANTEE, HAS STRESSED THE VITAL IMPORTANCE OF THE DOW INVESTMENT WHICH WILL BRING TO KOREA THE TECHNOLOGY AND KNOW-HOW TO PRODUCE PRODUCTS ON WHICH SEVERAL OTHER KEY KOREAN INDUSTRIES DEPEND; E.G. TEXTILE, WIRE AND CABLE, TIRE, AND FERTILIZER. ADDITIONALLY, EXPORTS FROM DOW'S KOREAN PLANTS PARTICULARLY TO SEA MARKETS, REPRESENT A PROMISING POTENTIAL FOR FX EARNINGS IN THE NEAR FUTURE. IT WAS THE ROKG WHICH, OVER A PERIOD OF PROTRACTED NEGOTIATIONS, AWARDED THIS INVESTMENT OPPORTUNITY TO DOW AND FAILURE TO PROCEED AT THIS POINT WOULD SET BACK KOREA'S PETRO-CHEMICAL INDUSTRIAL DEVELOPMENT SEVERAL YEARS. ALTHOUGH THE ROKG HAS TAKEN A REALISTIC STANCE AND CAREFULLY REVIEWED, CANCELLED, OR DEFERRED MANY PROJECTS FALLING WITHIN ITS HEAVY AND CHEMICAL INDUSTRIES PLAN, IT HAS LEFT UNTOUCHED ITS AMBITIOUS, BUT PRACTICAL PLANS FOR THE PETRO-CHEMICAL INDUSTRY THEREBY INDICATING THE IMPORTANCE WHICH IT ATTACHES TO THIS PARTICULAR DEVELOPMENT. AND QUITE OBVIOUSLY, THE DOW ENTRY WOULD BE A CLASSIC EXAMPLE OF FOREIGN INVESTOR CONFIDENCE IN KOREA AT A TIME WHEN MOST NEEDED.

5. ACCORDING TO DUPUY DOW REPRESENTATIVES HAVE DISCUSSED THIS MATTER WITH UNDER SECRETARY INGERSOLL, KOREAN AMBASSADOR HAHM, AND SEVERAL CONCESSIONAL LEADERS. THEY INTEND TO APPROACH ASST SEC HABIB ON HIS RETURN TO WASHINGTON.

6. REFTEL B STATES EMBASSY AND ROKG SUPPORT OF, AND HIGH PRIORITY GIVEN TO THE YOSU PROJECT WHICH IS CORNERSTONE OF KOREA'S CHEMICAL INDUSTRY EXPANSION PROGRAM OUR POSITION REMAINS THE SAME WITH THE ADDITIONAL CONSIDERATION THAT DENIAL OF AN INVESTMENT GUARANTEE AT THIS TIME WOULD BE DETRIMENTAL TO U.S. CONTINUED COMMERCIAL INTEREST IN KOREA AND REFLECT ADVERSELY ON BROADER US SUPPORT FOR ROK AT TIME WHEN SUCH SUPPORT MUCH NEEDED.

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7. I FULLY APPRECIATE OPIC LIMITATIONS AND REQUIREMENTS MANDATED BY LEGISLATION AND ESTABLISHED BY OPIC POLICIES. HOWEVER, FAILURE TO PROVIDE ADEQUATE GUARANTEES FOR PROJECT, ALREADY IN ADVANCED STAGE OF DEVELOPMENT PLANNING, WOULD RESULT IN LOSS TO U.S. MANUFACTURERS OF LARGE EQUIPMENT SALES WITH ASSURANCES OF ON-GOING SALES. IT WOULD ALSO PREVENT EXPANSION OF DOW'S PRESENT PROFITABLE KOREAN VENTURE AND HAVE SERIOUS ADVERSAL INDUSTRY.

8. I URGE STRONG REPRESENTATION BY THE DEPARTMENT AT OPIC
FOR FAVORABLE CONSIDERATION OF DOW'S APPLICATION. SNEIDER

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